

# Nebraska Advantage Rural Development Act

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- Under the Rural Development Act, a business which has at least the minimum required growth in investment and/or employment in an eligible location earns a **refundable** income tax credit.
- Up to \$4 million in expected benefits may be authorized each year



# Time Periods

- Base year: year prior to application
- Attainment/entitlement: year of application and following tax year
- Maintenance period: 3 years after the credit is earned



# Eligibility

- Minimum required levels of investment and/or employment
- Qualified business
- Eligible location
- Timely application



# Minimum Required Levels

- Level 1: County of less than 15,000; village or certain census tracts
  - \$125,000 net investment
  - 2 new full-time equivalents
- Level 2: County of less than 25,000
  - \$250,000 net investment
  - 5 new full-time equivalents
    - Wage Levels: 2008      \$9.72  
2009      \$10.28
- Livestock Modernization: Any county
  - \$50,000 in net investment



# Benefits

- Level 1 & Level 2
  - \$2,750 credits for each \$50,000 in investment
  - \$3,000 credits for each new FTE
- Livestock Modernization
  - 10% investment credit, up to \$30,000



# Levels 1 & 2: Qual Bus Activities

- Research & Development
- Manufacturing of TPP
- Data processing
- Telecommunications
- Insurance services
- Financial Services
- Transportation of TPP
- Warehousing of TPP
- Retailers (20% wholesale, mfgd, other qual bus)
- Administrative management
- Ranching and livestock operations



- Livestock... means all animals, including cattle, horses, sheep, goats, hogs, chickens, turkeys, and other species of game birds and animals raised and produced subject to permit and regulation by the Game and Parks Commission or the Department of Agriculture





# Eligible Locations

- Level 2: Counties < 25,000 population
  - May NOT be located in the following counties:
    - Adams
    - Buffalo
    - Dodge
    - Douglas
    - Hall
    - Lancaster
    - Lincoln
    - Madison
    - Platte
    - Sarpy
    - Scottsbluff



# Eligible Locations (continued)

- Level 1: Counties < 15,000 population
  - May NOT be located in the following counties:
    - Greater than 25,000:  
Adams, Buffalo, Dodge, Douglas, Hall, Lancaster, Lincoln, Madison, Platte, Sarpy and Scottsbluff
    - Other counties greater than 15,000:  
Cass, Dakota, Gage, Otoe, Saunders, Seward and Washington county
  - Effective 7/1/09 applications
    - Any village
    - Census tracts within city of metropolitan class with greater than 30% below the poverty line



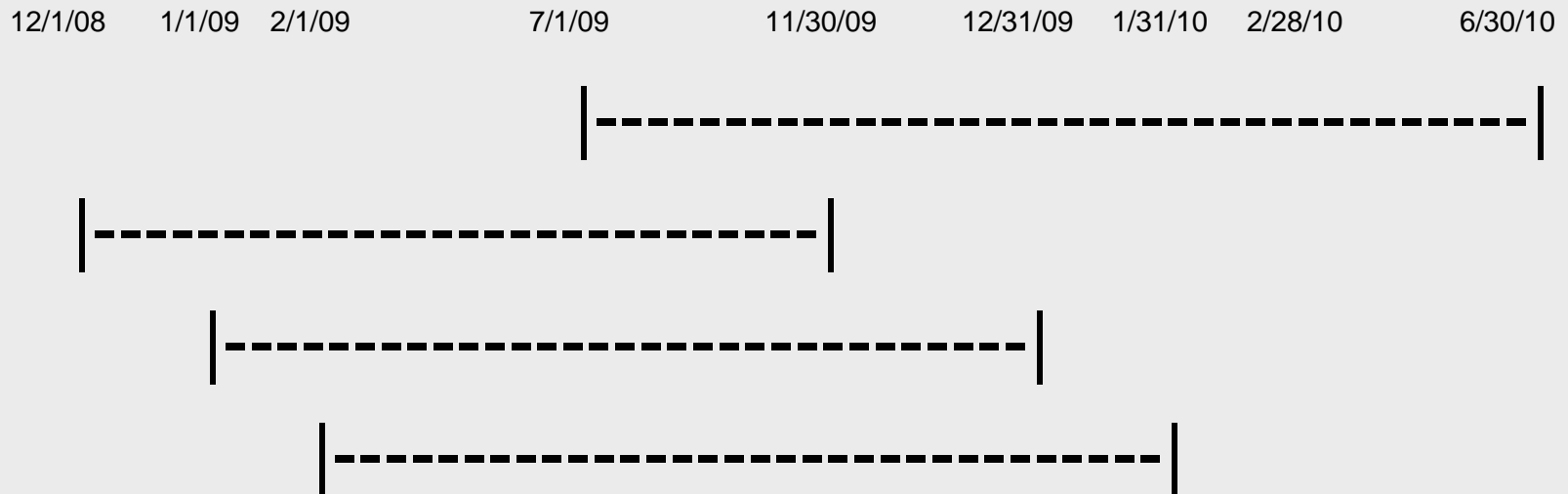
# Application

- Form with attachments
  - \$500 fee
- Application date
  - Establishes base year for investment **and** employment calculation
  - Determines order for reserving funds
- Estimated credits impact potential benefits
- Qualified Business
- Single Taxpayer



# Timing of Application

- \$4 million for State's fiscal year (6/30/XX)
- Match end of year of application to the State's fiscal year





# Single Taxpayer

- Corporate taxpayer subject to income tax
- Multiple entities
  - Parent – subsidiary relationship
  - 50% common ownership
  - Unitary
  - Subsidiary may be an entity other than a corporation

# Single Taxpayer (continued)



- Single entity project
  - Partnership, limited liability company, cooperative including coop exempt under section 521, joint venture
  - Disregarded entity



# Estimated Credits

- Estimated investment and employment required with application
  - Serves as cap for benefits
  - Must attain 75% of estimate to retain benefits
    - If you do not attain 75% estimated investment, repay 100% investment credit
    - If you do not attain 75% estimated employment, repay 100% employment credit



# Levels 1 & 2: Investment

- Qualified property net of retirements
  - Tangible depreciable property
    - Some software
    - Excluding vehicles, planes, and railroad rolling stock
  - Valuation
    - Owned Property: Tax basis before depreciation
    - Rented Property:
      - Annual rent times term of lease up to 10 years
      - Disregard related party lease - value at tax basis





# Levels 1 & 2: Employment

- Full-time equivalent growth equal to lesser of:
  - 1) Project FTE growth when compared to base year
  - 2) FTE of new hires who work at project and earn required wage
    - Wage Levels: 2008      \$9.72  
                         2009      \$10.28



# Use of Credits

- REFUNDABLE income tax credit
  - Not limited by liability of applicant
- Refund of State sales/use taxes paid
- Credits may be distributed to owners of flow-thru entity in same ratio as income
  - Use by recipients: limited to liability
- Carryover period
  - There is no provision for carryforward of the credits



# Recapture

- Maintain required levels for three years or repay 100%
- Attain 75% of investment and/or employment estimates



# Investment Only Project

- Livestock Modernization
  - 10% investment credit, up to \$30,000
    - \$50,000 in net investment
    - No employment requirement
    - No limitation on county size or number of counties



# Livestock Modernization similar to Levels 1 & 2

- Application requires an estimate
  - Must attain 75% of estimate
- Taxpayer definition
- Livestock definition
- Method of credit usage
  - **Refundable to applicant**
  - Distributed credit may only offset liability
  - No Carryover



# Livestock Modernization different than Levels 1 & 2

- May be located anywhere in Nebraska
- Credit based on 10% of net Investment
  - Limited definition of investment
- Limited to \$30,000
- No provision for recapture

# Livestock Modernization Investment



- Lesser of Qualified Property net of retirements and Total Project net of retirements
  - Buildings and equipment used for livestock housing, confinement, feeding, production and waste management
    - Does not include breeding stock
    - Does not include equipment to spread waste
    - Allow lagoon
    - Does not include dual usage equipment
    - **Does not include improvement made to correct a violation or complaint to DEQ**

# Nebraska Advantage Rural Development Comparison

	Livestock Production	Livestock Modernization
Investment & employment requirements	Level 1: \$125,000 + 2 FTE Level 2: \$250,000 + 5 FTE	\$50,0000 (no employment growth required)
Location	Level 1: county < 15,000 Level 2: county < 25,000	Anywhere in Nebraska
Multiple counties	No	Yes
Base Year	Tax year before year of application	Tax year before year of application
Attainment	Year of application and next tax year	Year of application and next tax year
Qualified Property	Depreciable assets other than motor vehicles, planes and railroad rolling stock	Depreciable buildings and equipment other than motor vehicles, planes, and railroad rolling stock used for livestock housing, confinement, feeding, production and waste management. Breeding stock is not considered to be equipment.
Investment credits earned	\$2,750 for each \$50,000 in net investment	10% of net investment
Employment credits earned	\$3,000 for each new FTE	not applicable
Limit on project credits	Remaining amount of the annual authorization	Lesser of \$30,000 or the remaining amount of the annual authorization
Required to attain 75% of estimated investment and employment	Yes	Yes
Recapture if minimum levels not maintained for 3 years after credits earned	Yes	No

77-27,187.01 (3) Livestock means all animals, including cattle, horses, sheep, goats, hogs, chickens, turkeys, and other species of game birds and animals raised and produced subject to permit and regulation by the Game and Parks Commission or the Department of Agriculture;





# Reporting

- Applications filed before 1/1/06
  - Investment & FTE growth by project and in total
    - No disclosure by entity
- Level 1 & 2 Applications filed on or after 1/1/06
  - Investment & FTE growth by project and in total
    - Identity of taxpayer & total benefits on 2 yr basis
- Livestock Modernization
  - Identity of taxpayer and benefits by year

# Nebraska Advantage Rural Development Act Application

**L1L2**
**RESET FORM**

1 Attach check for \$500 application fee.

2 Exact name of applicant and any other entities, including disregarded entities, to be part of the project

A	Entity Name	Entity Type	FEIN	NE Income Tax ID No.
1				
2				
3				
4				

(If you need more room, attach a schedule)

B If each entity in 2A is not included on the Affiliations Schedule, Form 851, attached as part of item 8, provide an explanation of how the entities are related to each other.

C What is the applicant's tax year end? \_\_\_\_\_. If it does not agree with the copy of the tax return provided in item 8 below, provide an explanation.

3 Describe the applicant's business:

A Narrative:

B Federal Principal Business Activity Code: \_\_\_\_\_

Federal Business Activity Title: \_\_\_\_\_

C Qualifying Business Activity (check the applicable boxes for the project):

- ☐ Assembly, fabrication, manufacturing, or processing of tangible personal property
- ☐ Storage, warehousing, or distribution of tangible personal property
- ☐ Transportation of tangible personal property
- ☐ Conducting research, development, or testing for scientific, agricultural, animal husbandry, food product, or industrial purposes
- ☐ Livestock Production
- ☐ Performance of data processing services
- ☐ Performance of telecommunication services
- ☐ Performance of insurance purposes
- ☐ Performance of financial services (check applicable box below):
  - ☐ Financial institution subject to tax under Chapter 77, Article 38
  - ☐ Licensed by the Department of Banking and Finance
  - ☐ Licensed by the Securities and Exchange Commission
- ☐ Administrative management of any activities, including the headquarter facilities relating to such activities (provide a listing which lists the name and accounting code for each of the qualifying departments)
- ☐ Sale of tangible personal property (enter below the percentage of total sales in the base year represented by the following categories of sales):
  - \_\_\_\_\_ Sales at wholesale
  - \_\_\_\_\_ Sales of tangible personal property assembled, or manufactured and processed by the applicant
  - \_\_\_\_\_ Sales of tangible personal property to a purchaser in one of the above listed activities

4 Project definition

A Project location(s)

	Address (Street, City)	County	Enterprise Zone (Y or N)
1			
2			
3			
4			
5			

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	Complete	Incomplete
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1		
2A		
2B		
2C		
3A		
3B		
3C		
4A		

## APPLICATION (cont'd.)

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		Complete	Incomplete										
<b>B</b>	Explanation of how applicant intends to satisfy the chosen levels:	<b>4B</b>											
<b>C</b>	Does this project include teleworkers working from their residence? ..... <input type="checkbox"/> YES <input type="checkbox"/> NO Do the teleworkers reside in a county that meets the population requirement of the selected level?..... <input type="checkbox"/> YES <input type="checkbox"/> NO	<b>4C</b>											
<b>D</b>	Expected Benefits (see <a href="#">Calculation Tips</a> ) <b>ATTACH a copy of completed Worksheets I and II, provided in the Calculation Tips</b> (1) Investment <b>a</b> Expected investment increase _____ <b>b</b> Expected investment credits _____ (2) Employment <b>a</b> Expected full-time equivalent growth _____ <b>b</b> Expected employment credits _____	<b>4D</b>											
If item 5, 6, 7, or 8 is not available, indicate why the document is not available. If a reorganization occurred since the previous tax year, provide copies of the documents for the previous entity(ies) and a written explanation.													
<b>5</b>	Attach copy of most recent financial statements (check each attached): <input type="checkbox"/> Audited financial report, including opinion letter <input type="checkbox"/> Unaudited financial statements	<b>5</b>											
<b>6</b>	Enclose copy of most recent federal income tax filing. Include copy of first 4 pages, schedules supporting the first 4 pages, Affiliations Schedule (Form 851), and a copy of each Shareholder's Share of Income Credits, Deductions, etc. (Schedule K-1). If the applicant is a sole proprietorship, provide a copy of the Profit or Loss from Business (Schedule C) or the Profit or Loss from Farming (Schedule F).	<b>6</b>											
<b>7</b>	Enclose copy of most recent Nebraska income tax return. Are all entities listed in item 2 on page 1 included in one unitary NE tax return? <input type="checkbox"/> YES <input type="checkbox"/> NO If No, explain why: _____ Explain any difference between taxable income per the federal return and the amount reported to Nebraska:	<b>7</b>											
<b>8</b>	Enclose copy of most recent Nebraska Reconciliation of Income Tax Withheld, Form W-3N.	<b>8</b>											
<b>9</b>	Nebraska sales and use tax number for each entity listed in item 2 on page 1 (if not licensed, attach a copy of the Nebraska Tax Application, Form 20, and proof of date submitted): <table border="1"> <thead> <tr> <th>Entity Name</th> <th>Sales/Use Tax ID No.</th> </tr> </thead> <tbody> <tr><td><b>1</b></td><td></td></tr> <tr><td><b>2</b></td><td></td></tr> <tr><td><b>3</b></td><td></td></tr> <tr><td><b>4</b></td><td></td></tr> </tbody> </table>	Entity Name	Sales/Use Tax ID No.	<b>1</b>		<b>2</b>		<b>3</b>		<b>4</b>		<b>9</b>	
Entity Name	Sales/Use Tax ID No.												
<b>1</b>													
<b>2</b>													
<b>3</b>													
<b>4</b>													


(If you need more room, attach a schedule)

**10 E-MAIL.** If you allow the department to contact you by e-mail, you accept any risk of loss of confidentiality associated with this method of communication.

**AUTHORIZED SIGNATURE.** This application must be signed by the owner/taxpayer, partner, member, corporate officer, or other individual authorized to sign by a power of attorney on file with the department.

<b>sign here</b>	Authorized Signature _____	Telephone Number _____	Please print your name _____
	Title (See Instructions) _____		E-mail Address _____
	Street or Other Mailing Address _____		City, State, Zip Code _____





nebraska  
department  
of revenue

Nebraska Advantage Rural Development Act

Worksheet I

• Attach this worksheet to your Application

RESET

PRINT

SAVE

Name

Employment	Base Year FTE* a	Current Tax Year FTE b	Next Tax Year FTE c	Higher of Column b or c** d	Increase in FTE (d - a) e
1 Total hours paid at project (including non-residents and all pay levels) divided by 40 times the number of weeks in the tax year.					
2 Hours paid to resident employee hired after the base year and making the required wage divided by 40 times the number of weeks in the tax year.	n/a				n/a
* Adjust base year hours for transfers to the project from another location within the state and for the acquisition of a business which existed in NE.	Enter the lesser of 1.e or 2.d				
** The project must have attained minimum levels of BOTH investment and employment for the year to be eligible for this comparison.	Estimated employment benefits: Multiply by \$3,000				

Investment		End of Prior Tax Year a	Additions in Current Tax Year b	Retirements, Canceled or Expired Leases c	End of Application Tax Year (a + b - c) d	Additions in Next Tax Year e	Retirements, Canceled or Expired Leases f	End of Next Tax Year (d + e - f) g	Higher of Column d or g <sup>a</sup> h	Increase in Investment (h - a) i
Tax Basis	1 Building								n/a	n/a
	2 Building/Leasehold Improvements								n/a	n/a
	3 Equipment								n/a	n/a
	4 Furniture and Fixtures								n/a	n/a
	5 Computers and Canned Software								n/a	n/a
	6 Breeding Stock								n/a	n/a
	7 Other Qualified Property								n/a	n/a
Lease	8 Average Net Annual Rent times term of lease, not to exceed 10 tax years								n/a	n/a
	9 Subtotal (sum of lines 1 through 8)								n/a	n/a
Deduct	10 Motor vehicle, railroad rolling stock and planes (if included above)								n/a	n/a
Total for Year (line 9 minus line 10)										
*The project must have attained minimum levels of BOTH investment and employment for the year to be eligible for this comparison.		Divide by \$50,000 (round down)								
		Multiply by \$2,750								



# Nebraska Advantage Rural Development Act Application

**LM****for Livestock Modernization Projects****RESET****PRINT****SAVE****Livestock Production applicants must use the L1L2 Application.**

NAME AND LOCATION ADDRESS			NAME AND MAILING ADDRESS			
(PRINT CLEARLY)	Legal Name of Applicant			Name		
	Street Address (Do not use P.O. Box)			Street or Other Mailing Address		
	City	State	Zip Code	City	State	Zip Code

1 Attach check for \$500 application fee.

2 Exact name of applicant and any other entities, including disregarded entities, to be part of the project

A	Entity Name	Entity Type	FEIN	NE Income Tax ID No.
1				
2				
3				
4				

(If you need more room, attach a schedule)

B If each entity in 2A is not included on the Affiliations Schedule, Form 851, attached as part of item 8, provide an explanation of how the entities are related to each other.

C What is the applicant's tax year end? \_\_\_\_\_. If it does not agree with the copy of the tax return provided in item 8 below, provide an explanation.

3 Describe the applicant's business:

A Narrative:

B Type of Livestock: \_\_\_\_\_

C Federal Principal Business Activity Code: \_\_\_\_\_

Federal Business Activity Title: \_\_\_\_\_

4 Project definition

A Project location(s)

	Address (Street, City)	County	Enterprise Zone (Y or N)
1			
2			
3			
4			
5			

B Explanation of how applicant intends to satisfy the chosen levels:

D Expected Benefits (see [Calculation Tips](#))

**ATTACH a copy of completed Worksheet LM, provided in the Calculation Tips**  
Investment

a Expected investment increase \_\_\_\_\_

b Expected investment credits \_\_\_\_\_ *May not exceed \$30,000*

**FOR NDR USE ONLY**

	Complete	Incomplete
--	----------	------------

1		
---	--	--

2A		
----	--	--

2B		
----	--	--

2C		
----	--	--

3A		
----	--	--

3B		
----	--	--

3C		
----	--	--

4A		
----	--	--

4B		
----	--	--

4D		
----	--	--

## APPLICATION (cont'd.)

FOR NDR USE ONLY

If item 5, 6, 7, or 8 is not available, indicate why the document is not available. If a reorganization occurred since the previous tax year, provide copies of the documents for the previous entity(ies) and a written explanation.

5 Attach copy of most recent financial statements (check each attached):

- ☐ Audited financial report, including opinion letter  
☐ Unaudited financial statements

6 Enclose copy of most recent federal income tax filing. Include copy of first 4 pages, schedules supporting the first 4 pages, Affiliations Schedule (Form 851), and a copy of each Shareholder's Share of Income Credits, Deductions, etc. (Schedule K-1). If the applicant is a sole proprietorship, provide a copy of the Profit or Loss from Business (Schedule C) or the Profit or Loss from Farming (Schedule F).

7 Enclose copy of most recent Nebraska income tax return.

Are all entities listed in item 2 on page 1 included in one unitary NE tax return? ☐ YES ☐ NO

If No, explain why: \_\_\_\_\_

Explain any difference between taxable income per the federal return and the amount reported to Nebraska: \_\_\_\_\_

8 Enclose copy of most recent Nebraska Reconciliation of Income Tax Withheld, Form W-3N.

9 Nebraska sales and use tax number for each entity listed in item 2 on page 1 (if not licensed, attach a copy of the Nebraska Tax Application, Form 20, and proof of date submitted):

Entity Name	Sales/Use Tax ID No.
1	
2	
3	
4	

(If you need more room, attach a schedule)

10 **E-MAIL.** If you allow the department to contact you by e-mail, you accept any risk of loss of confidentiality associated with this method of communication.

**AUTHORIZED SIGNATURE.** This application must be signed by the owner/taxpayer, partner, member, corporate officer, or other individual authorized to sign by a power of attorney on file with the department.

sign  
here

Authorized Signature

Telephone Number

Please print your name

Title (See Instructions)

E-mail Address

Street or Other Mailing Address

City, State, Zip Code



# Nebraska Advantage Rural Development Act

Worksheet LM

for Livestock Modernization Project Only

• Attach this worksheet to your LM Application

RESET

PRINT

SAVE

Name \_\_\_\_\_

Investment	End of Prior Tax Year a	Additions in Current Tax Year b	Retirements c	End of App. Tax Year (a + b - c) d	Increase in Investment (column d - a) e	Additions in Next Tax Year f	Retirements g	End of Next Tax Year (d + f - g) h	Increase in Investment (column h - a) i
PART A: Buildings and equipment used for livestock housing, confinement, feeding, production, and waste management									
Tax Basis	1 Building								
	2 Building/Leasehold Improvements								
	3 Equipment								
Lease	4 Average Net Annual Rent (lines 1 through 3 property) times term of lease, not to exceed 10 tax years								
	5 Subtotal (lines 1 through 4)								
Deduct	6 Motor Vehicle, Railroad Rolling Stock, and Planes Included in lines 1 through 4								
7 Part A Total (line 5 minus line 6)									
PART B: Additional Depreciable Property Not Listed Above									
Tax Basis	8 Building (not for livestock)								
	9 Building/Leasehold Improvements (not for livestock)								
	10 Equipment (not for livestock)								
	11 Furniture and Fixtures								
	12 Computers and Canned Software								
	13 Other Depreciable Property								
Lease	14 Average Net Annual Rent (lines 8 through 13 property) times terms of lease, not to exceed 10 tax years								
	15 Subtotal (lines 8 through 14)								
Deduct	16 Motor Vehicle, Railroad Rolling Stock, and Planes Included in lines 8 through 14								
17 Part B Total (line 15 minus line 16)									
TOTAL PROJECT									
18 Part A plus Part B (line 7 plus line 17)									
19 Comparison of Part A to Total Project (lesser of line 7 or line 18, not less than zero)									
20 Investment Growth in Livestock Modernization (line 19e or 19i, whichever is greater)									





# Nebraska Advantage Rural Development Act

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Rural Dev End